

**HOW TO COMPLETE YOUR
TRANSIENT ACCOMMODATIONS TAX
ANNUAL RETURN AND RECONCILIATION
(FORM TA-2)**

INTRODUCTION

These instructions will assist you in filling out your Transient Accommodations Tax Annual Return (Form TA-2) correctly.

The transient accommodations tax is levied at the rate of 7.25% on the gross rental or gross rental proceeds derived from furnishing transient accommodations.

A transient accommodation is an apartment, house, condominium, beach house, hotel room or suite, or similar living accommodation furnished to a transient person for less than 180 consecutive days in exchange for payment in cash, goods, or services.

Gross rental or gross rental proceeds includes amounts paid to you in the form of cash, goods, or services as compensation for furnishing a transient accommodation without any deductions for costs incurred in the operation of the transient accommodation.

The transient accommodations tax annual return and reconciliation (Form TA-2), is used to summarize your transient accommodations tax activities for the taxable year. It may also be used to correct errors on the periodic tax returns (Form TA-1). As long as your total gross rental or gross rental proceeds, taxes due, penalty and interest are accurately reported and paid in full on your periodic returns, no additional tax will be due when filing the annual return. Form TA-2 must be filed in addition to (not in lieu of) the periodic transient accommodations tax returns.

If you do not have any gross rental or gross rental proceeds for the entire year, enter "0" on lines 5 and 14. Please note that this return must be filed.

The annual tax return must be filed on or before the 20th day of the 4th month following the close of your taxable year. For example, if you are a calendar-year taxpayer (i.e., your tax year ends on December 31), then your annual tax return must be filed on or before April 20 of the following year.

If you are unable to file the annual return by the due date, you may request an extension to file Form TA-2 by filing Form TA-8, Application for Extension of Time to File the Transient Accommodations Tax Annual Return and Reconciliation (Form TA-2). For more information, see Form TA-8.

To properly enter the necessary information into our computer system, the annual tax return must be filled in completely and accurately.

If a payment is being made with Form TA-2, make your check or money order payable to "Hawaii State Tax Collector." Write "TA", the filing period, and your Hawaii Tax I.D. No. on the check. Also complete the appropriate tax payment voucher (if you are using a preprinted form from your transient accommodations booklet, complete Form VP-1T for the appropriate filing period (CAUTION: do not submit a photocopy of Form VP-1T); if you are not using a preprinted form, complete Form VP-1). Attach your check or money order and the tax payment voucher where indicated on the front of Form TA-2.

If you have any questions, please contact the customer service staff of our Taxpayer Services Branch at:

Voice: 808-587-4242
1-800-222-3229 (Toll-Free)

Telephone for the Hearing Impaired:
808-587-1418
1-800-887-8974 (Toll-Free)

Fax: 808-587-1488

E-mail: Taxpayer.Services@hawaii.gov

Mail: Taxpayer Services Branch
P.O. Box 259
Honolulu, HI 96809-0259

FILLING IN YOUR FORM TA-2 (ANNUAL RETURN AND RECONCILIATION)

Follow the example presented in *italics* in the sample form. The circled numbers on the sample form correspond to the steps in the instructions.

Example: ABC Resort (ABC), with Hawaii Tax I.D. No. W12345678-01, files its annual return for the taxable year. ABC has one resort on Oahu and one on Maui.

THE TOP OF THE TAX RETURN (fig. 3.1)

STEP 1 — If you are a calendar year taxpayer, write the year in the area provided. If you are a fiscal year taxpayer, enter the month, day, and year your fiscal year ends.

ABC Resort is a calendar year taxpayer and wrote "2006" in the space after "FOR CALENDAR YEAR".

STEP 2 — Write your name in the area provided.

STEP 3 — Write your Hawaii Tax I.D. No. in the area provided.

STEP 4 — Write the last 4 digits of your FEIN or SSN in the area provided.

FORM TA-2 (REV. 2005)	STATE OF HAWAII — DEPARTMENT OF TAXATION	DO NOT WRITE IN THIS AREA
TRANSIENT ACCOMMODATIONS TAX		26
ANNUAL RETURN & RECONCILIATION		
FOR CALENDAR YEAR 20 <u>0</u> <u>6</u> 1		3
OR FISCAL YEAR ENDING ____/____/____		
NAME: 2 <u>ABC Resort</u> 4		
LAST 4 DIGITS OF YOUR FEIN OR SSN: <u>1</u> <u>2</u> <u>3</u> <u>4</u>		HAWAII TAX I.D. NO. W <u>1</u> <u>2</u> <u>3</u> <u>4</u> <u>5</u> <u>6</u> <u>7</u> <u>8</u> - <u>0</u> <u>1</u>
THIS ANNUAL RETURN MUST BE FILED ON OR BEFORE THE TWENTIETH DAY OF THE FOURTH MONTH		

fig 3.1

COMPUTING THE TAXES (fig. 3.4)

STEP 5 — Complete Lines 1 through 4, Columns a and d, just as you did on your periodic tax returns. The difference between the periodic and annual tax returns is that the amounts reported on the annual tax return are the total gross rental or gross rental proceeds in the applicable districts for the entire year.

For Column a, Line 1 (total gross rental proceeds on Oahu), ABC has entered \$120,000. For Column a, Line 2 (total gross rental proceeds on Maui), ABC has entered \$240,000.

ABC has multiplied \$120,000 by .0725 (the tax rate) to get \$8,700, which is entered in Column d, Line 1. ABC has also multiplied \$240,000 by .0725 (the tax rate) to get \$17,400, which is entered in Column d, Line 2.

The annual return is a reconciliation of the total gross rental or gross rental proceeds reported on the periodic tax returns. If an error was made on one or more of the periodic tax returns in reporting the total gross rental or gross rental proceeds in the applicable districts, the annual tax return is used to correct the amounts reported on your periodic returns for the taxable year and show the amount of any additional taxes payable or refund due.

STEP 6 — Turn to the reverse side of Form TA-2, "Part I—EXEMPTIONS AND/OR DEDUCTIONS". Fill-in the amounts and description of the exemptions or deductions being claimed for the taxable year. Each exemption or deduction must be separately listed. If you do not have any exemptions or deductions, enter a zero (0) (fig. 3.2). Also, enter the total amount of exemptions or deductions being claimed in column b of the front page. Refer to the SCHEDULE OF TRANSIENT ACCOMMODATIONS TAX EXCLUSIONS, EXEMPTIONS, AND DEDUCTIONS in these instructions for further information.

ABC enters zero in the “TOTAL EXEMPTIONS and/or DEDUCTIONS” lines for Districts 1 and 2 on the reverse side of the form and in column b on the front of the form because there are no exemptions or deductions being claimed.

FORM TA-2 (REV. 2005)

PART I — EXEMPTIONS AND/OR DEDUCTIONS		
LIST DETAILS CONCERNING “EXEMPTIONS” AND/OR “DEDUCTIONS” CLAIMED.		
Amounts claimed as exemptions and/or deductions must be explained below; otherwise, the amounts claimed will be disallowed and proposed assessments prepared against you.		
If any of these exemptions or deductions are claimed in column b on the front page, you must itemize them in the spaces provided below. Enter the grand total of exemptions and deductions on line 18, front page. Refer to the SCHEDULE OF TRANSIENT ACCOMMODATIONS TAX EXCLUSIONS, EXEMPTIONS, AND DEDUCTIONS in the instructions for Form TA-2 for further information about exemptions and deductions.		
AMOUNT	(NOTE: If additional space is needed, please attach schedule.)	
		DISTRICT 1 — OAHU
6	0 00	TOTAL EXEMPTIONS and/or DEDUCTIONS (Enter here and on line 1, column b, front page)
		DISTRICT 2 — MAUI, MOLOKAI, LANAI
6	0 00	TOTAL EXEMPTIONS and/or DEDUCTIONS (Enter here and on line 2, column b, front page)
		DISTRICT 3 — HAWAII

fig 3.2

NOTE: Deductions allowed on your income tax returns (e.g., operating expenses, management fees, etc.) are NOT deductible on the transient accommodations tax return.

STEP 7 — Add the amount of exemptions/deductions claimed in Part I and enter the result on the “GRAND TOTAL EXEMPTIONS and/or DEDUCTIONS” line (fig. 3.3). Also enter the result on line 18 of the front page.

ABC enters zero in the “GRAND TOTAL EXEMPTIONS and/or DEDUCTIONS” line and also on line 18 of the front page because there are no exemptions or deductions being claimed.

		TOTAL EXEMPTIONS and/or DEDUCTIONS (enter here and on line 4, column b, front page)
AMOUNT		
7	0 00	GRAND TOTAL EXEMPTIONS and/or DEDUCTIONS (Enter here and on line 18, front page)
PART II — RECONCILIATION OF GROSS RENTAL OR GROSS RENTAL PROCEEDS		
AMOUNT		
1		Gross rental or gross rental proceeds (Total of lines 1 through 4, column a, from front page)

fig 3.3

STEP 8 — Subtract the amount in column b, if any, from column a and enter the result in column c. Column c is your taxable proceeds.

ABC does not have any exemptions or deductions so \$120,000 is entered on line 1, column c, and \$240,000 is entered on line 2, column c.

FOLLOWING THE CLOSE OF THE CALENDAR OR FISCAL YEAR.									
DISTRICT		GROSS RENTAL OR GROSS RENTAL PROCEEDS a		EXEMPTIONS/DEDUCTIONS (EXPLAIN ON REVERSE SIDE) b		TAXABLE PROCEEDS c		RATE	TAXES d
1	TAXATION DISTRICT 1 (OAHU)	5	120,000 00	6	0 00	8	120,000 00	.0725	5 8,700 00 1
2	TAXATION DISTRICT 2 (MAUI, MOLOKAI, LANAI)		240,000 00		0 00		240,000 00	.0725	5 17,400 00 2
3	TAXATION DISTRICT 3 (HAWAII)							.0725	
4	TAXATION DISTRICT 4 (KAUAI)							.0725	

fig 3.4

STEP 9 — Part II—RECONCILIATION OF GROSS RENTAL OR GROSS RENTAL PROCEEDS (fig. 3.5). Add lines 1 through 4, column c, of the front page, and enter this total on line 1. The total on line 1 does not include general excise and transient accommodations taxes visibly passed on.

Line 2. Enter the total general excise taxes visibly passed on for the year.

Line 3. Add lines 1 and 2. This amount is the gross proceeds from furnishing transient accommodations reportable on Form G-49, Part II, Transient Accommodations Rentals, Column c of your General Excise/Use Tax Annual Return & Reconciliation.

ABC visibly passed-on \$14,400 in general excise taxes for the taxable year. ABC enters \$360,000 in gross rental proceeds on line 1, \$14,400 on line 2, and \$374,400 on line 3.

PART II — RECONCILIATION OF GROSS RENTAL OR GROSS RENTAL PROCEEDS		
9	360,000 00	1. Gross rental or gross rental proceeds (Total of lines 1 through 4, column a, from front page.) (Note: Does NOT include general excise taxes visibly passed on or transient accommodations taxes visibly passed on.)
	14,400 00	2. Total general excise taxes visibly passed on.
	374,400 00	3. Add lines 1 and 2. This amount is your gross proceeds from furnishing transient accommodations that are reportable on Part II, Transient Accommodations Rentals, Column c of your General Excise/Use Tax Annual Return & Reconciliation (Form G-49).

fig 3.5

STEP 10 — Part III—RECONCILIATION OF PAYMENT OF TRANSIENT ACCOMMODATIONS TAXES (reverse side of Form TA-2). Enter the amount of transient accommodations taxes paid on periodic tax returns filed during the taxable year (fig. 3.6).

ABC enters \$2,175 for each month transient accommodations taxes that were reported and paid.

PART III — RECONCILIATION OF PAYMENT OF TRANSIENT ACCOMMODATION TAXES			
ENTER TAXES PAID BY MONTHS IF MONTHLY RETURNS WERE FILED, QUARTERS IF QUARTERLY RETURNS WERE FILED, OR SEMIANNUAL PERIODS IF SEMIANNUAL RETURNS WERE FILED.			
10	JAN \$ 2,175.00	APR \$ 2,175.00	JUL \$ 2,175.00
	FEB \$ 2,175.00	MAY \$ 2,175.00	AUG \$ 2,175.00
	MAR \$ 2,175.00	JUN \$ 2,175.00	SEP \$ 2,175.00
			OCT \$ 2,175.00
			NOV \$ 2,175.00
			DEC \$ 2,175.00
	1st QTR \$	2nd QTR \$	3rd QTR \$
			4th QTR \$
	1st SEMIANNUAL PERIOD \$	2nd SEMIANNUAL PERIOD \$	

fig 3.6

FINISHING THE TAX RETURN (fig. 3.7)

STEP 11 — Add Lines 1 through 4 of Column d, and enter the total on Line 5. This is the total tax due. **CAUTION: LINE 5 MUST BE FILLED IN.** If you do not have any gross rental proceeds and therefore have no tax due, enter a zero (0) on Lines 5 and 14.

ABC has added \$8,700 and \$17,400 for a total of \$26,100 which is entered on Line 5.

STEP 12 — On Lines 6 and 7, add all the penalties and interest which have been assessed on taxes owed on the periodic tax returns for the taxable year.

STEP 13 — Add Lines 5, 6, and 7, and enter the result on Line 8.

STEP 14 — Add the total amount of transient accommodations taxes paid with your periodic tax returns and any delinquency notices for the taxable year. Enter this amount on Line 9.

STEP 15 — Enter the amount of tax paid with any assessment notices for the taxable year on Line 10.

STEP 16 — Enter the amount of any penalty paid with your periodic tax returns, delinquency notices, or assessment notices for the taxable year on Line 11 in the space provided to the right of "Penalties \$."

STEP 17 — Enter the amount of any interest paid with your periodic tax returns, delinquency notices, or assessment notices for the taxable year on Line 11 in the space provided to the right of "Interest \$."

STEP 18 — Add the amount of penalty and interest paid, and enter the total on Line 11.

STEP 19 — Add the amounts on Lines 9 through 11, and enter the total on Line 12.

STEP 20 — Compare the amounts on Lines 8 and 12. If the amount on Line 8 is **THE SAME AS** Line 12, enter "0" on Line 14, and go on to Step 25.

If the amount on Line 8 is **LESS THAN** Line 12, subtract Line 8 from Line 12, and enter the result on Line 13 (this is your credit to be refunded to you), and go to Step 25.

STEP 21 — If the amount on Line 8 is **MORE THAN** Line 12, subtract Line 12 from Line 8 and enter the result on Line 14. This is your taxes now due and payable. Calculate penalty and interest on this amount if the annual return is filed after the due date. If you had no activity for the entire year, enter "0" on Line 14. Please note that this return must still be filed.

STEP 22 — Late Filing of Return—The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, from the due date to the filing date, to a maximum of 25%.

Interest—Interest at the rate of 2/3 of 1% per month, or part of a month, shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on a Saturday, Sunday, or legal holiday.

Enter the amounts for Penalty and Interest on Lines 15a and 15b, respectively. Add Lines 15a and 15b and enter the result on Line 15. If you are unable to compute the penalty and interest, leave Lines 15a and 15b blank. The Department will compute it for you and send you a bill.

STEP 23 — If you have taxes now due, add the amounts on Lines 14 and 15 and enter the result on Line 16.

STEP 24 — If you have an amount on Line 16, please enter the amount of payment to be remitted with this return on Line 17. If you are not making a payment, enter a zero (0).

• ATTACH CHECK OR MONEY ORDER AND FORM VP-1	4	(KAUAI)						.0725		4		
	IF YOU DO NOT HAVE ANY GROSS RENTAL OR GROSS RENTAL PROCEEDS, AND THE RESULT IS NO TAX DUE, ENTER "0" IN EACH COLUMN FOR THE APPLICABLE TAX DISTRICT(S) AND ON LINES 5 AND 18.						5	TOTAL TAXES DUE (ADD LINES 1 — 4)	11	26,100 00	5	
							6	PENALTY	12		6	
							7	INTEREST		7		
	8	TOTAL AMOUNT DUE (ADD LINES 5, 6, and 7; ENTER AMOUNT HERE.)							13	26,100 00	8	
	9	TOTAL TAXES PAID ON MONTHLY, QUARTERLY, OR SEMIANNUAL RETURNS FOR THE PERIOD. PART III ON REVERSE SIDE MUST ALSO BE COMPLETED.						9	14	26,100 00	9	
	10	ADDITIONAL ASSESSMENTS PAID FOR THE PERIOD. IF INCLUDED ABOVE						10			10	
	11	PENALTIES \$ 16 INTEREST \$ 17 PAID DURING THE PERIOD. 18						11			11	
	12	TOTAL PAYMENTS MADE (ADD LINES 9, 10, and 11)							19	26,100 00	12	
	13	CREDIT TO BE REFUNDED (LINE 12 MINUS LINE 8)							20	21	0 00	13
	14	TAXES DUE (LINE 8 MINUS LINE 12)							22	23	0 00	14
	FOR LATE FILING ONLY →						15a	Penalty →			15	
							15b	Interest →			16	
	16	TOTAL AMOUNT NOW DUE AND PAYABLE (ADD LINES 14 AND 15)							24	0 00	16	
	17	PLEASE ENTER AMOUNT OF YOUR PAYMENT (PAY IN U.S. DOLLARS ONLY)							24	0 00	17	
	18	GRAND TOTAL EXEMPTIONS/DEDUCTIONS FROM BACK OF FORM						18	7	0 00		
	NOTE: This form may be electronically filed (e-filed) with the Department of Taxation. For more information, go to www.ehawaii.gov/efile						ATTACH YOUR CHECK OR MONEY ORDER PAYABLE TO "HAWAII STATE TAX COLLECTOR" IN U.S. DOLLARS DRAWN ON ANY U.S. BANK AND FORM VP-1 TO FORM TA-2. WRITE "TA", THE FILING PERIOD,					

fig 3.7

SIGNING THE RETURN (fig. 3.8)

STEP 25 — Sign your tax return. The sole proprietor, a partner or member, corporate officer, or an authorized agent must sign; state his/her title; and write the date the return is signed.

DECLARATION: I declare, under the penalties set forth in section 231-36, HRS, that this return, including any accompanying schedules or statements, has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith for the taxable period stated, pursuant to the Transient Accommodations Tax Law, Chapter 237D, HRS and the rules issued thereunder. I also reaffirm my statements on my operator's registration (as amended).		
A CORPORATION OR PARTNERSHIP TAX RETURN MUST BE SIGNED BY AN OFFICER, PARTNER OR MEMBER, OR DULY AUTHORIZED AGENT OF SUCH ENTITY.		
25 <i>Henry Aloha</i> SIGNATURE	<i>President</i> TITLE	<i>4/20/07</i> DATE
— MAILING ADDRESS — HAWAII DEPARTMENT OF TAXATION P.O. BOX 2430 HONOLULU, HI 96804-2430		
THIS SPACE FOR DATE RECEIVED STAMP		FORM TA-2 26

fig 3.8

SENDING IN THE TAX RETURN AND PAYMENT

Attach a check made payable to the "HAWAII STATE TAX COLLECTOR" in U.S. dollars to the tax return. Write "TA," the filing period, and your Hawaii Tax I.D. No. on the check so that it may be properly credited to your account. Also complete the appropriate tax payment voucher (if you are using a preprinted form from your transient accommodations booklet, complete Form VP-1T for the appropriate filing period (CAUTION: do not submit a photocopy of Form VP-1T); if you are not using a preprinted form, complete Form VP-1). Attach your check or money order and the tax payment voucher where indicated on the front of Form TA-2. **Do not send cash.**

Send the tax return, check, and payment voucher to: Hawaii Department of Taxation, P.O. Box 2430, Honolulu, HI 96804-2430

SCHEDULE OF TRANSIENT ACCOMMODATIONS TAX EXCLUSIONS, EXEMPTIONS, AND DEDUCTIONS
(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

Section 237D-1: Gross rental or gross rental proceeds do not include:

- (1) The amount of transient accommodations taxes passed-on, collected, and received from the consumer.
- (2) The amount of general excise taxes passed-on, collected, and received from the consumer.
- (3) Charges for guest amenities, including meals, beverages, telephone calls, laundry, and service charges.
- (4) Accounts charged off as worthless for income tax purposes by an accrual basis taxpayer.

Division of gross rental or gross rental proceeds:

Where transient accommodations are furnished by an operator through an arrangement with a travel agency or tour packager at noncommissionable negotiated contract rates and the gross rental or gross rental proceeds are divided between the operator and the travel agent or tour packager, the gross rental or gross rental proceeds to the operator is the respective portion allocated or distributed to the operator, and no more.

Section 237D-3: (1) Health care facilities including all such facilities enumerated in Section 321-11(10).

- (2) School dormitories of a public or private educational institution providing education in grades kindergarten through twelve, or of any institution of higher education.
- (3) Lodging provided by nonprofit corporations or associations for religious, charitable, or educational purposes; provided that this exemption shall apply only to the activities of the religious, charitable, or educational corporation or association as such and not to any rental or gross rental the primary purpose of which is to produce income even if the income is used for or in furtherance of the exempt activities of such religious, charitable, or educational corporation or association.
- (4) Living accommodations for persons in the military on permanent duty assignment to Hawaii, including the furnishing of transient accommodations to those military personnel who receive temporary lodging allowances while seeking accommodations in Hawaii or while awaiting reassignment to new duty stations outside the State.
- (5) Low-income renters receiving rental subsistence from the state or federal governments and whose rental periods are for durations shorter than sixty days.
- (6) Operators of transient accommodations who furnish accommodations to full-time students enrolled in an institution offering post-secondary education. The director of taxation shall determine what shall be deemed acceptable proof of full-time enrollment. This exemption shall also apply to operators who furnish transient accommodations to students during summer employment.
- (7) Accommodations furnished without charge such as, but not limited to, complimentary accommodations, accommodations furnished to contract personnel such as physicians, golf or tennis professionals, swimming and dancing instructors, and other personnel to whom no salary is paid or to employees who receive room and board as part of their salary or compensation.
- (8) Accommodations furnished to foreign diplomats and consular officials who are holding cards issued or authorized by the United States Department of State granting them an exemption from state taxes.